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Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives
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Item 2 of the provisional agenda*
Preparations for the special session of the General Assembly on the implementation of the outcome of the World Summit for Social Development and further initiatives

Review of reports and proposals for further action and initiatives submitted by organs and specialized agencies of the United Nations system and other concerned organizations

Note by the Secretary-General

Addendum

Contribution from the United Nations Development Programme**

1. The Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, in paragraph 12 of the annex to decision 1,[1] invited the United Nations Development Programme to report on creating and improving sustainable livelihoods for those living in poverty, paying special attention to the links between employment/jobs, resources and the environment.

2. The Secretary-General accordingly circulates herewith, for the information of the Preparatory Committee, the report prepared by the United Nations Development Programme in response to that request.

* A/AC.253/12.
** The report is being issued herewith as received in the language of submission only.

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Notes

[1] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45* (A/54/45 and corrigendum), chap. VI, sect. B.

Employment, Resource Management and Poverty Reduction: *Towards Sustainable Livelihoods*

Summary of the paper prepared by UNDP for submission to the WSSD+5 preparatory process

Introduction:

This is a summary of the paper written in response to an invitation from the WSSD+5 Preparatory Committee for UNDP to report on creating and improving sustainable livelihoods for those living in poverty, paying special attention to the links between employment, resources and the environment. The paper does not attempt to provide a comprehensive analysis of all the issues coming out of the WSSD but instead focuses on Commitment 3 which deals with the issues of employment and livelihoods. Other relevant substantive areas such globilisation, SAP's, trade, social integration etc. The page numbers in brackets refer to relevant pages in the full text).

The five key areas are:

1. Sustainable Livelihoods: Implications for Policy Formulation
2. Enterprise, Employment and Livelihoods
3. Poverty, Environment and Livelihoods
4. Youth Livelihoods
5. Turning Policy into Action

1. Sustainable Livelihoods: Implications for Policy Formulation

Today's policy response requires some fundamental shifts in the way policy makers view the challenge of generating employment, effective resource management and poverty reduction. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of livelihood systems. The goal of policy should be to support existing and develop new livelihood systems. The sustainable livelihoods approach incorporates a set of four core principles that can be used to make policy more responsive to people's own interpretations of and priorities for their livelihoods. These core principles guide policy makers to focus on:

- **Assets** An important principle of this approach is that it starts with an analysis of community assets, rather than needs. There are four broad assets types: refer to natural (i.e. water), human (i.e. skills), physical (i.e. infrastructure) and social (i.e. family networks) assets. A focus on these assets will broaden policy making so that instead of looking at people in an enclave it is now conceptually easier to see that livelihoods are inherently connected to and crucially depend on their households and the surrounding environment. In this case policy should aim to improve access to assets and to build on and support existing community coping and adaptive strategies
- **Holistic** To make policy more effective, policy makers need to be aware of the cross-sectoral and multi disciplinary nature of livelihoods. One of the major challenges in policy development is reconciling the fact that sectoral government line ministries will have to develop and implement cross-sectoral and multi- disciplinary policy.
- **Entitlements** refer to exchange capabilities and human rights, which include economic, social, cultural and political rights, all of which are interdependent and

recognised by the international community. Policy should take into account the constraints that prevent people from realising these entitlements and secondly promote measures that allow people to overcome these constraints through empowerment and eliminating discrimination.

- **Macro micro linkages**. Traditional development activity tends to focus at *either* the macro *or* the micro level. The sustainable livelihoods approach attempts to bridge this gap, emphasising the importance of macro policy and institutions to the livelihoods systems of communities and individuals. There is a need for higher level policy development and planning to be informed by lessons learnt and insights gained at the local level.
- **Sustainability** In order for policy to be sustainable it is necessary to recognise that sustainability has many dimensions. The sustainability of livelihoods is a function of how men and women utilize asset portfolios on both a short and long-term basis. Sustainability should be defined in a broad manner and implies:
  - The ability to cope with and recover from shocks and stresses;
  - Economic efficiency, or the use of minimal inputs to generate a given amount of outputs;
  - Ecological integrity, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and,
  - Social equity- the promotion of livelihood opportunities for one group should not foreclose options for other groups, either now or in the future.

2. Enterprise, Employment and Livelihoods

This section proposes firstly a policy for an ownership solution whereby employees get a stake in the economic system -Employee Share Ownership Plans *(ESOPs)* - and secondly examines the potential of e- commerce as a vehicle for enterprise, employment and livelihoods. These ideas are a marked departure from labour based growth policies and enterprises, and are intended as additional options.

ESOPs (p.6)

An ESOP is an employee benefit plan that makes the employees of a company owners of stock in that company. The concept of ESOP's provides a third way between labour biased strategies on the one hand and free enterprise business strategies on the other and provide a concrete mechanism that can empower communities in the face of increasing globilisation. A number of policy recommendations that promote new and support existing ESOPs are outlined in the full paper.

E-Commerce (p.10)

The potential benefits of e-commerce for the developing world are immense. E-commerce will be able to bring about new employment and livelihood opportunities to developing countries. We highlight the case of Tunisia where the information highway is considered as one of the main roads that could improve Tunisia's economy and the Tunisian Government has paid a special attention to electronic commerce and has set up a National Commission for Electronic Commerce. A number of policy recommendations

that promote new and support existing e-commerce operations are outlined in the full paper.

Section 3: Livelihoods, Poverty and the Environment

Concern with the state of the environment often seems to pit environmentalists and policy makers against the poor. Unfortunately, the link between poverty and environment is uncritically characterized as a "vicious circle" or a "downward spiral." Population growth and inadequate resources are presumed to lead to the migration of the poor to ever more fragile lands or more hazardous living sites, forcing poor people to overuse environmental resources. In turn, the degradation of these resources further impoverishes them. While this does sometimes happen, as an overarching model it is highly simplistic, and often leads to policies that either reduce poverty at the expense of the environment or protect the environment at the expense of poor people.

Well-planned actions can break this cycle. Based on experience from around the world, there are "win-win" options that can build better institutions and partnerships with poor people creating more robust livelihoods and healthier environments. These options, discussed in the full paper simultaneously pursue two goals: reduced poverty and better social equity, and enhanced environmental protection. Improved governance is an important vehicle for achieving these goals.

Section 4: Promoting Sustainable Youth Livelihoods

Traditional youth development programmes have tended to focus on youth as a separate development 'niche'. This approach overlooks the fact that youth livelihood systems are inherently interconnected to the surrounding social, financial and ecological environment especially as members of households in a given community. The reality is that youth livelihood systems comprise a complex and diverse set of economic, social and physical strategies. Sustainable livelihoods are derived from youth's capacities to exercise choice, and to access opportunities and resources, and use them for their livelihoods in ways that do not foreclose options for others to make their living, either now, or in the future. Given the complex nature of youth livelihoods it is clear that policy interventions that focus narrowly on providing jobs for youth will rarely be sustainable as they fail to take into account the holistic nature of youth livelihood systems. Today's policy response requires some fundamental shifts in the way policy makers view the challenge of providing jobs for young people. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of youth livelihood systems. The goal of policy should be to support existing and develop new livelihood systems for youth. Finally a number of policy recommendations that promotes new and support existing youth livelihoods are outlined in the full paper.

Section 5: Turning Policy into Action

To achieve a new method of working, government agencies—and sometimes NGOs as well—must undertake to make a number of conceptual shifts and be willing to adopt cross cutting operational principles. Building partnerships with local communities is a new endeavor for many agencies, and one that requires not only good will, but also a

commitment to experimentation and fine-tuning solutions. In brief, governments must engage poor people as partners not beneficiaries, use its resources to catalyze investment in poor communities; and create an enabling environment that for the poor to access existing and exploit new assets.

Introduction

The primary responsibility for implementing the World Summit for Social Development agreements is at the national level and this paper is submitted as part of the UN systems support for this effort. This paper was written in response to an invitation from the WSSD+5 Preparatory Committee for UNDP to report on creating and improving sustainable livelihoods for those living in poverty, paying special attention to the links between employment, resources and the environment. The paper does not attempt to provide a comprehensive analysis of all the issues coming out of the WSSD but instead focuses on Commitment 3 which deals with the issues of employment and livelihoods. Other relevant substantive areas such globilisation, SAP's, trade, social integration etc. are not explicitly dealt with here but are expected to be covered in contributions to the PrepComm from other sources. The paper takes as a point of departure poverty eradication and employment generating strategies already considered by the WSSD and those contained else where such as UNDP's Human Development Reports.

The purpose of this paper is to contribute additional and innovative pro poor policy options in the area of employment, resources and the environment. Within this framework the concept of sustainable livelihoods is used as both a concrete goal of policy and as a methodology for policy formulation. The paper begins with an examination of the sustainable livelihoods approach including its evolution and methodology (Section 1). In Section 2 'Enterprise, Employment and Livelihoods' Employee Share Ownership Plans and E-commerce are put forward as two innovative enterprise mechanisms that can potentially play a key role in providing sustainable livelihoods and halting the impoverishment process. In Section 3 'Livelihoods, Poverty and the Environment' identifies win-win policy option that empower communities to build on and develop their assets without degrading the environment. Then Section 4 looks at promoting sustainable livelihoods for young people, an area of particular concern for the General Assembly and Secretary- General. The paper concludes with some conceptual and cross cutting operational principles for turning policy into action.

Section 1: Evolution of the Sustainable Livelihoods Idea in the International Context

Surfacing a decade ago in the report of the World Commission on Environment and Development, the idea of sustainable livelihoods began as an approach to maintain or enhance resource productivity, secure ownership of and access to assets, resources and income-earning activities as well as to ensure adequate stocks and flows of food and cash to meet basic needs. It was a reflection of the growing recognition that food security was not merely a problem of agricultural productivity but was a problem of poverty in all its multi faceted dimensions. The 1992 United Nations Conference on Environment and Development (UNCED) moved the concept towards an action agenda especially in the context of Agenda 21, and advocated for the achievement of sustainable livelihoods as a broad goal for poverty eradication focused on the poor who live in marginalised areas. Agenda 21 stated that sustainable livelihoods could serve as an integrating factor that allows policies to address development, sustainable resource management and poverty

eradication simultaneously. The Copenhagen World Summit for Social Development and the Fourth World Conference on Women (FWCW) at Beijing underscored the significance of linkages between sustainability, employment, social integration, gender and poverty eradication for policy and development programming.

An important contribution of the Social Summit was its emphasis on the interrelatedness of its main thematic elements (poverty, unemployment and social exclusion). These interdependencies are clarified in the second paragraph of the Introduction to the WSSD Programme of Action, which imply that employment and social integration are necessary conditions for poverty eradication. Though the WSSD did not spell out the specifics of how both full employment and sustainable livelihoods were related to each other it did clearly articulate employment as one of the means to achieve the goal of sustainable livelihoods. Livelihoods are defined below to include assets and entitlements as well as all forms of employment (formal, informal and self) which people use to make a living.

Sustainable Livelihoods Concept

Livelihood systems comprise a complex and diverse set of economic, social and physical strategies. These strategies are realized through the activities, assets and entitlements by which individuals make a living. Sustainable livelihoods are derived from people's capacities to exercise choice, and to access opportunities and resources, and use them for their livelihoods in ways that do not foreclose options for others to make their living, either now, or in the future. But sustainable livelihoods are not just about what happens in a given locality. It begins with how people living in poverty, rather than experts, perceive their own reality, and extends to understanding how this reality is related to what happens in the rest of society, to forming new relationships within and outside the locality, and imagining alternative paths of social transformation to the present ones. It stresses the need to support and protect people's capacity to act and produce. Yet people's productive lives are not reduced in narrow economic terms.

The broad goal of poverty eradication is to develop individual, family and community capacities to improve their livelihood systems. To understand these systems, people's coping and adaptive strategies are important entry points for analysis. A sustainable livelihood system can only be understood and promoted if the matrix of interactions between policy, science and technology and investment/finance is approached in an integrated manner and used to augment what local people already do well and the assets to which they have access.

Sustainable Livelihood Methodology

The transition from theory to the practice of SL is, by no means, an easy task. Building on the earlier relevant work, UNDP and other international agencies have developed a methodology (or approach) for the design, implementation and evaluation of SL programmes at the country level. The approach consists of a five step process described briefly below:

- A participatory assessment of the risks, assets (see diagram 1 at the end of the document for an outline of asset types), entitlements and indigenous knowledge base

found in a particular community. These are usually manifested in the coping and adaptive strategies pursued by men and women. Coping strategies are often a short-term response to a specific shock such as drought. On the other hand, adaptive strategies entail a long-term change in behaviour patterns as a result of a shock or stress. Both have implications on the composition of the assets (i.e., depletion, regeneration) from which they are derived;

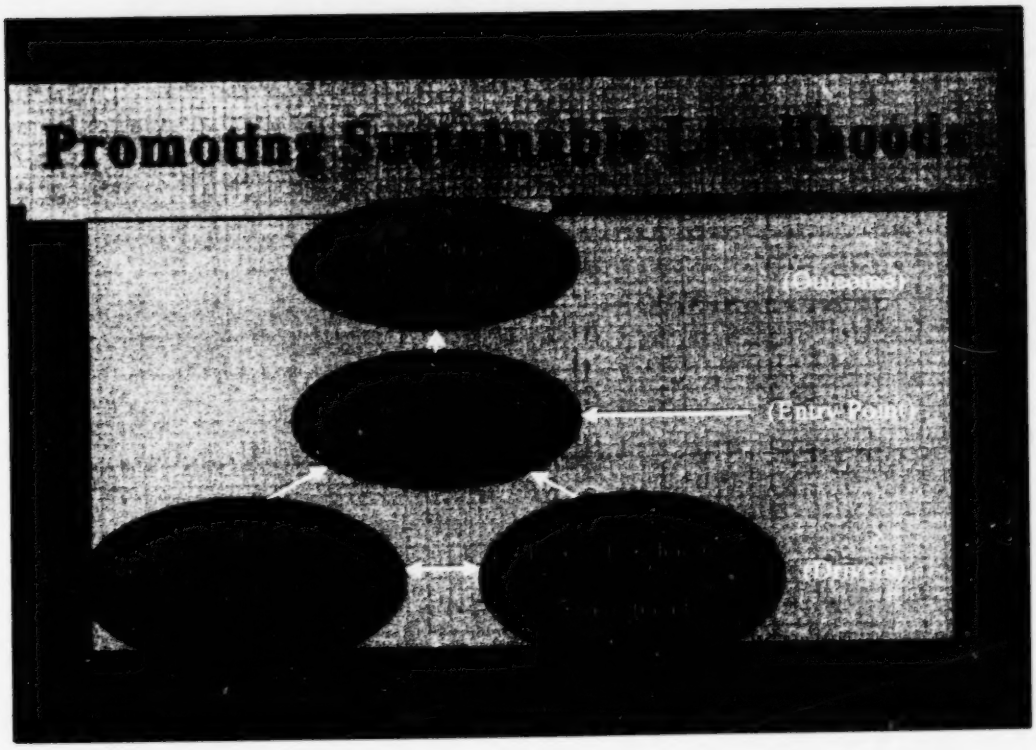
- Analysis of the macro, micro and sectoral policies, and governance arrangements which impinge on people's livelihood strategies;

- Participatory assessment and determination of the potential contributions of modern science and technology that complement indigenous knowledge systems in order to improve livelihoods;

- Identification of a macro-micro investment strategy, which at the macro level follow an investment led transformation approach based on mobilization of domestic resources. This macro strategy is implemented in harmony with micro finance schemes; and,

- The foregoing four stages are integrated and interactive in real time.

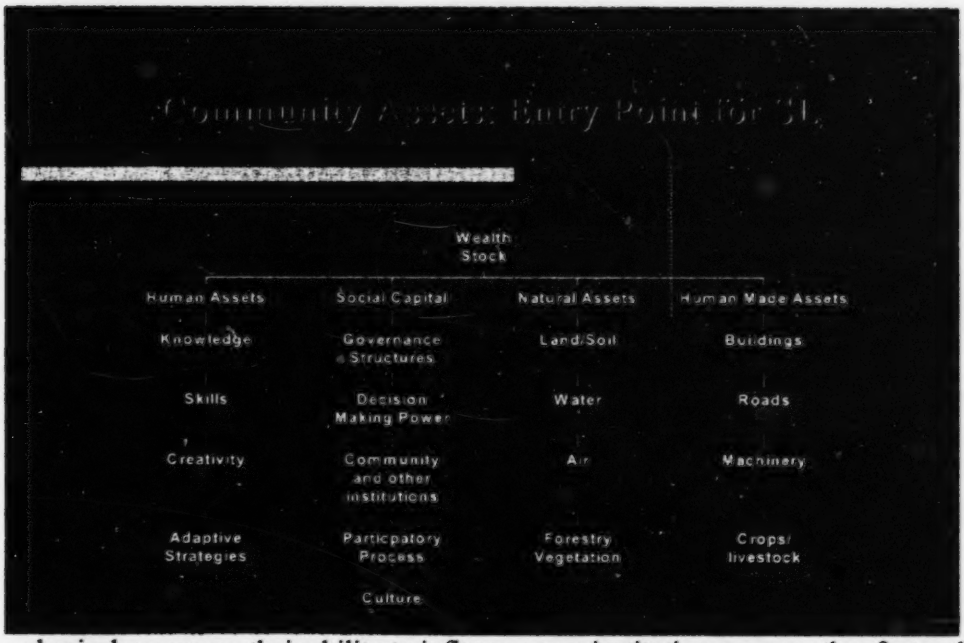
The sustainable livelihood methodology is illustrated in the diagram below.



Sustainable Livelihoods: Implications for Policy Formulation

Today's policy response requires some fundamental shifts in the way policy makers view the challenge of generating employment, effective resource management and poverty reduction. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of livelihood systems. The goal of policy should be to support existing and develop new livelihood systems. The sustainable livelihoods approach incorporates a set of five core principles that can be used to make policy more responsive to people's own interpretations of and priorities for their livelihoods. These core principles guide policy makers to focus on:

- **Assets** An important principle of this approach is that it starts with an analysis of community assets (see diagram below for an illustration of asset types), rather than needs. This does not mean that we place an undue focus on the better-endowed members of the community. Rather, it implies recognition of everyone's inherent potential, whether this derives from their strong social networks, their access to



physical resources, their ability to influence core institutions or any other factor that has poverty- reducing potential. A focus on these assets will broaden policy making so that instead of looking at people in an enclave it is now conceptually easier to see that livelihoods are inherently connected to and crucially depend on their households and the surrounding environment. In this case policy should aim to improve access to assets and to build on and support existing community coping and adaptive strategies.

- **Holistic** To make policy more effective, policy makers need to be aware of the cross-sectoral and multi disciplinary nature of livelihoods. In this way the sustainable livelihoods approach provides a way to understand what shapes people livelihoods and how the various influencing factors can be adjusted so that, taken together, they produce a more beneficial livelihood outcome. One of the major challenges in policy

development is reconciling the fact that sectoral government line ministries will have to develop and implement cross-sectoral and multi- disciplinary policy.

- **Entitlements** refer to exchange capabilities and human rights, which include economic, social, cultural and political rights, all of which are interdependent and recognised by the international community. Policy should take into account the constraints that prevent people from realising these entitlements and secondly promote measures that allow people to overcome these constraints through empowerment and eliminating discrimination. The primary focus is on the linkages between government, civil society and communities with the aim being to increase the accountability of public institutions.

- **Macro micro linkages.** Traditional development activity tends to focus at *either* the macro *or* the micro level. The sustainable livelihoods approach attempts to bridge this gap, emphasising the importance of macro policy and institutions to the livelihoods systems of communities and individuals. There is a need for higher level policy development and planning to be informed by lessons learnt and insights gained at the local level. This can simultaneously give local people a stake in policy and increase overall effectiveness of policy making. However, this is a difficult task to achieve and future action should focus on further developing mechanisms that help to increase the linkages between local communities and macro level institutions and policy makers.

- **Sustainability** In order for policy outcomes to be sustainable it is necessary to recognise that sustainability has many dimensions. The sustainability of livelihoods is a function of how men and women utilize asset portfolios on both a short and long-term basis. Sustainability should be defined in a broad manner and implies:

  - The ability to cope with and recover from shocks and stresses;
  - Economic efficiency, or the use of minimal inputs to generate a given amount of outputs;
  - Ecological integrity, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and,
  - Social equity- the promotion of livelihood opportunities for one group should not foreclose options for other groups, either now or in the future.

Such a broad definition of sustainability provides policy makers with a broad range of policy options. However with diversity come policy trade offs. Common trade offs include tension between local livelihood needs and wider concerns about environmental sustainability, maximizing returns to livelihood systems in the short run while guarding against shocks and stresses in the longer run, and developing livelihood systems without compromising livelihood opportunities of others in the community.

The importance of the Sustainable Livelihoods methodology is that it allows governments and its development partners to identify an appropriate policy options and

provides an approach for integrated implementation. As discussed earlier one of the fundamental principles of the sustainable livelihood approach is that the focus is on community strengths not weaknesses; in the next section the focus is on policy that builds on 'enterprise', an asset found in abundance even in the poorest of the world's countries.

2. Enterprise, Employment and Livelihoods

At the 1999 World Economics Forum in Davos, the Secretary- General proposed a Global Compact challenging the international business community to help the UN to implement universal values in the areas of human rights, environment and labour. The solution must lie in a new type of global security that can only emerge from the collective force of many individuals who are empowered to be *locally* responsible. In addition any solution must be attractive to business and at the same time contribute to sustainable human development. The 1997 UNDP Human Development Report noted a number of core principles necessary to eradicate poverty in the 21st century, these are:

1. Empowerment of individuals, households and communities;
2. Accelerated pro poor growth;
3. Improved management of globalization;
4. An active state;
5. Gender equity;
6. Building on the assets of the poor.

These principles provide a set of guidelines to be adhered to in any policy strategy that aims to foster enterprise, employment and more broadly livelihoods. In line with these principles, this section proposes firstly a policy for an ownership solution whereby employees get a stake in the economic system -Employee Share Ownership Plans *(ESOPs)* - and secondly examines the potential of e- commerce as a vehicle for enterprise, employment and livelihoods. These ideas are a marked departure from labour based growth policies and enterprises, and are intended as additional options. ESOP's and e-commerce are presented here as potentially innovative solutions for sustainable livelihoods, other micro enterprise approaches, which are based on micro finance schemes, social mobilisation etc. are well known and are not discussed here.

Employee Share Ownership Plans

An ESOP is an employee benefit plan that makes the employees of a company owners of stock in that company. A company which wants to set up an ESOP creates a trust to which it makes annual contributions. These contributions are allocated to individual employee accounts within the trust. A number of different formulas may be used for allocation. The most common is allocation in proportion to compensation, but formulas allocating stock according to years of service, some combination of compensation and years of service have all been used. As will be outlined here ESOP's could potentially provide a pro poor growth mechanism that goes beyond traditional labour based or employment intensive growth. ESOP's adhere to the principles of the sustainable livelihoods approach as they firstly empower individuals and communities by allowing them to fully build on their human capital assets; and secondly are environmentally sound

as they create a feedback mechanism to business whereby employees act as stewards for their own local environment.

The value added of ESOPs is noted below:

- In today's globalized world free enterprise responds to three types of feed back: Product pricing (consumers buy the best quality goods at the best price), share pricing (investment goes into those companies with the best financial returns) and corporate governance. Crucially these signals largely fail to take into account the environmental and social impacts caused by the activities of free enterprise and therefore fail to meet the conditions for sustainability. ESOP's give communities a stake in local businesses, they can then act as stewards to monitor the local environmental and social conditions. Because they are also shareholders they have a voice in the company to lobby for change when that companies business activity is harmful for example to the environment.
- The concept of ESOP's provides a third way between labour biased strategies on the one hand and free enterprise business strategies on the other. ESOP's are attractive to both labour (employees) and business, this is in contrast with traditional employment intensive strategies. Employees gain a stake in the business for which they provide an input while company owners gain a mechanism that allows them to generate capital and gain a more productive workforce.
- ESOP's provide a mechanism for bringing the environment into the decision making process of companies.
- ESOP's reduce inflation by encouraging employees to take less pay in return for more equity.
- ESOP's reduce unionization and the frequency of strikes.
- ESOP's provide a concrete action that can empower communities in the face of increasing globilisation.
- ESOP's can play a major role in preventing people from falling into poverty in addition to empowering those below the poverty line.

There are four types of ESOP's each with its own potential in a developing country context.

CSOP (Customer Stock Ownership Plan)
Under this plan customers of a company become stockowners in that company. The developing world offers rich opportunities for ESOP/CSOP combinations, particularly with the worldwide boom in infrastructure development, such as power generation. For example China plans to build thirty major power plants each year for the foreseeable future. Including an ESOP/CSOP combination as part of each plants capital structure could be helpful both in ensuring broad based indigenous ownership (a political and fiscal plus) and in providing a much needed environmental monitoring source comprised of nearby employee-owners and up-close consumer- owners.

RESOPS (Related Enterprise Share Ownership Plans)

RESOP's provide an opportunity for employees of smaller companies to gain an ownership stake in larger, more established companies. Under RESOP's companies include as participants in their ESOP not only their direct employees but also those employed by companies with which the ESOP sponsor has an ongoing economic relationship, such as suppliers or distributors. This ownership solution helps companies build a relationship-based corporate architecture. Thus, for instance, where a supplier's employees own shares in a company, their motivation is to maximize long-term wealth creation rather than maximize the profit on each transaction. An example of an RESOP is discussed next.

An American investor in the Jamaican Broiler company asked that the company buy out his 25 percent stake, which the company agreed to do. The company borrowed enough funds not only to buy his shares but also a little extra to create what became the first ESOP/RESOP.. Jamaica Broilers has several hundred contract growers who raise chickens for processing, typically small family farmers who raise several dozen to a few hundred chickens. The company also has a dozen or so contract trucking companies (with only a few trucks each) that deliver the processed chickens to local grocers. The extra money that the company borrowed was used, in part, to help upgrade the operations of both the contract growers and the contract truckers. The loan was repaid largely from future company earnings. As the loan was repaid, the shares became owned both by the company's direct employees and by its "related" employees – its expanded network of contract growers and truckers. To assist with loan repayment, employees participated in a payroll-deduction scheme while the truckers had a small amount deducted from each invoice they presented for payment. For the growers, the company instituted a "chicken deduction" system whereby, for example, for every hundred chickens delivered, farmers were paid for ninety-eight in cash and two in Jamaica Broilers shares.

From an ownership perspective, this ESOP/RESOP solution enabled a broad base of Jamaican workers to accumulate capital in a well-established Jamaican company. Indeed, many of the microenterprise employees would not be employed but for their economic relationship with the larger firm.

GSOC (General Stock Ownership Corporation)

ESOP's -like self-financing techniques can also be used to expand ownership beyond economic relationships based either on employment or consumption. One such mechanism is the GSOC (general stock ownership corporation), in which ownership is based on geography or citizenship. A GSOC could readily be adapted to "owner-ize" government-owned natural resources such as mining deposits or drilling rights located on public lands. History is replete with stories of countries that experience a bust following on the heels of a natural resource-fed boom such as the discovery of oil (Venezuela, Nigeria). A GSOC could, for instance, retain a royalty interest in an oil field or a mine, while a more traditional company is awarded extraction rights conditioned on sponsoring both an ESOP and a RESOP. The scope of participation in a GSOC need not be national or even statewide; it could be regional or even community-based. For instance, a GSOC could be used to create community-wide individual ownership of a local industrial or business park. Some GSOC shares could be allocated to fund education or infrastructure.

Practically any revenue-generating activity could be "GSOC'ed", especially where the stakeholder status is reasonably clear.

The GSOC's unusual blend of individual ownership and community-wide participation makes it easily adaptable to situations in which people wish to have a shared stake in the development of common resources.

DSOP (Depositor Share Ownership Plan)
The DSOP idea first emerged in conjunction with a privatization project in Islamabad when the World Bank advised on a privatization strategy for Pakistan's state-owned banking sector. A bank privatization that includes an ESOP/DSOP component could create a positive outcome for everyone involved. The government would be seen as supporting a privatization technique that advances broad-based ownership; banks would gain an opportunity to strengthen both employee and customer loyalty; and the customers would become more knowledgeable up-close capitalists – both as savers and as potential borrowers, secure in the knowledge that their borrowing enhances the earnings of a bank in which they own a stake.

ESOP's- Summing up
Each of these new property paradigms (ESOPs, GESOPs, RESOPs, CSOPs, GSOCs, DSOPs) share a common goal: the transformation of economic relationships in a way that enhances performance and sustainability across a wide range of measures. This transformation requires a combination of financial creativity, committed corporate leadership and sustained political will, along with a populace prepared to embrace change, complexity and risk.

Policy Recommendations

The key to an effective ownership solution lies in achieving a 'critical mass' of encouragement so that prevailing closed systems of finance and incentives (which concentrates ownership) become less attractive than financial techniques and incentives that broaden ownership i.e. ESOP's.

Policy option: Government contracts and licenses should be awarded to those companies that currently have or are considering ESOP's.

Policy options: Development Banks should be encouraged so that disbursements of resources underwrite ownership patterns that are highly participatory.

Policy option: Reengineer tax policies to foster broad-based capital accumulation. Within this area there are a number of option including:

- Tax relief for companies with a minimum threshold of employee ownership
- Increasing access to bank credit to those without collateral for example a lender could be allowed lower income tax rates based on the percentage of its loan portfolio that comprised of loans that expand ownership.

- Governments should consider where appropriate a shift in taxes from labour income to resources in such a way that high intensity resource users are taxed differentially higher than low intensity users (see also p. 22 for a discussion of perverse subsidies).

Policy option: Governments can publicize the nature and role of ESOP's amongst the business community and labour groups. This can take the form of seminars, mailings etc.

Policy option: Encourage ownership orientated financial services. In the same way that agricultural extension departments provide upto date advice to farmers, a government 'financial extension' service could provide education and training on financial matters related to ESOP's and other areas.

E-Commerce: The challenge to developing countries

The potential benefits of e-commerce for the developing world are immense. Any company can enter global markets where size and location have become rather irrelevant. Success in e-commerce will have an immediate impact not only on productivity and profits, but also generate new jobs, employment and livelihoods. Although conditions and costs for market entry have been lowered, obstacles still exist for actors from developing countries. E-commerce will be able to bring about new employment and livelihood opportunities to developing countries. These opportunities arise with the introduction of new products, expanding demand for goods and services, tapping into and creation of new markets, the emergence of new type of services (viz. ISPs or content providers for software or programming in local languages) and related secondary and tertiary effects.

Policy Recommendations

Policy option: Increase awareness

There is currently a lack of awareness and knowledge in developing countries about e-commerce (for an example of an e-commerce public awareness campaign see the case study on Tunisia's experience at the end of this section).

Policy Option: Improve infrastructure and access

One of the major bottlenecks to the expansion of e-commerce to the developing world is the lack of telecommunications and Internet connectivity and access to the necessary hardware and software. Indeed, the gap between industrialised and developing countries in terms of infrastructure and access is huge and growing. The reach and geographic coverage of telephone services, its bandwidth, the cost of telephone services, the national policies governing the telecommunications sector and the number of computers are major determining factors to what extent developing countries and their private sectors can partake in the global push for e-commerce. The impending satellite revolution may well facilitate access and connectivity although it is not yet clear whether the pricing structure for these satellite links will be affordable for actors in the developing world.

Policy Option: Improve human capacity and skills

E-commerce requires a different mix of capacities and skills, which is another major constraint in developing countries. It should become one of the priorities of developing

countries to promote computer literacy and Internet-related skills among the workforce at large and especially among the small and medium size enterprises. This should be complemented by programmes to train and retain skilled IT professionals.

Policy Option: Creation of an enabling legal and regulatory framework
A proper regulatory framework must be in place for e-commerce to prosper. Existing laws and regulations might not be applicable as some of the online services do not exist in the physical world and boundaries between services as well as industries have become blurred.

The online sale of prescription drugs is one example to highlight the problems. WTO has reported that prescription drugs have been illegally sold across national borders on the Internet. If the sellers are located outside the country to which a particular drug was sold, it is almost impossible to assure the integrity of the product, unless the seller is the pharmaceutical company itself. Likewise, liability and compliance with national regulations cannot be enforced.

Another example pertains to regulations governing telecommunications. The Times of India reported that restrictions imposed by the sole Indian Internet service provider, Videsh Sanchar Nigam Ltd, on the number of people to which a single mail item can be sent simultaneously and the absence of software to create and maintain global mailing lists had constrained users. Recently India changed this constrained operating environment by granting licenses to private Internet service providers. E-mail marketing has now become a powerful marketing tool, requiring near negligible investment with a bare minimum of front-end systems.

Policy Option: Encourage involvement of financial institutions and intermediaries
Thus far, financial institutions and banks in developing countries are hesitant to take an active role in promoting e-commerce. However, merchants need the involvement of banks to broaden the reach and appeal of e-commerce and to help prevent fraud and potential losses due attributable to credit card fraud. But beyond the credit card approach, banks and other financial service intermediaries are challenged to develop alternative modalities for secure and reliable online transactions in environments where credit cards are not common place. This may require the development of smart and/or cash card operations.

Case study: E-Commerce in Tunisia
The information highway is considered in Tunisia as one of the main roads that could improve Tunisia's economy and the Tunisian Government has paid a special attention to electronic commerce and a National Commission for Electronic Commerce was set up in November 1997. Made up of several working groups, the Commission was given the task of establishing an electronic commerce strategy and infrastructure development programmes. The working groups studied the various aspects of electronic commerce (legal, commercial, financial, security, etc).
Two reports that include the Commission's recommendations were submitted to the government in March 1998 and in November 1998.

The commission's recommendations were discussed during a cabinet meeting held in mid May 1999 which announced major decisions aimed at boosting electronic commerce in Tunisia. They included:

1) Revision of procedure connected with foreign trade with a view to boosting exports via the Internet network and facilitating the action of electronic commerce operators.

2) Launching of pilot projects that will open virtual shopping centers to export tourist products, craft work and agricultural and industrial goods.

3) Implementing of "strategy of awareness and training", via periodic seminars and study days on electronic commerce.

4) Further developing the national communications network with a view to adapting it to the demands of electronic exchange as regards to speed of data transmission, while simultaneously working to develop transport and express mail services.

5) Putting the finishing touches to the legal framework regulating this activity so that Tunisian law will be in tune with new modes of commercial transaction, particularly as regards to legalization of the electronic means of identification (digital signature and certification) and Trusted third parties.

6) Creation of a permanent ministerial committee, supported by a technical commission of experts and specialists, to guarantee permanent follow-up of these recommendations and ensure coordination among all stakeholders.

In addition an awareness campaign entitled "Internet Caravans'99" started in September 1999 which will visit all Tunisian governorates. Each visit includes a one day program with Internet and Electronic Commerce seminars and workshops.

While enterprise provides a catalyst for livelihood development it is the surrounding natural resource base which often provides the major inputs into livelihood activities. The linkages between livelihoods, the environment and poverty are explored in the next section.

Section 3: Livelihoods, Poverty and the Environment

The poor in rural and urban areas rely on the environment for their livelihood and survival strategies and are affected by the way others around them use environmental resources. At the same time, because most natural resources are exhaustible or degradable, improved management techniques for environmental resources are needed for populations that continue to grow in both numbers and consumptive habits.

Concern with the state of the environment often seems to pit environmentalists and policy makers against the poor. Unfortunately, the link between poverty and environment is uncritically characterized as a "vicious circle" or a "downward spiral." Population growth and inadequate resources are presumed to lead to the migration of the poor to ever more fragile lands or more hazardous living sites, forcing poor people to overuse environmental resources. In turn, the degradation of these resources further impoverishes them. While this does sometimes happen, as an overarching model it is highly simplistic,

and often leads to policies that either reduce poverty at the expense of the environment or protect the environment at the expense of poor people.

Well-planned actions can break this cycle. Based on experience from around the world, there are "win-win" options that can build better institutions and partnerships with poor people creating more robust livelihoods and healthier environments. These options simultaneously pursue two goals: reduced poverty and better social equity, and enhanced environmental protection. Improved governance is an important vehicle for achieving these goals.

At a recent ministerial forum sponsored by UNDP and the European Commssion Ministers of Development Cooperation, Environment, Planning and other related fields met in New York to consider such options. Summarized below are the main issues they considered.

Improving Assets for Win-Win Outcomes

While income and consumption are important, many policy options for addressing poverty-environment interactions focus on improving the **asset base** of the poor. Assets include **natural capital** (forests, water, land, fish, minerals); **social capital** (relationships of trust and reciprocity, groups, networks, customary law); **human capital** (skills, knowledge, beliefs, attitudes, labor ability, and good health); **physical capital** (basic infrastructure); and **financial capital** (monetary resources). With improved access to and control over different types of assets, the poor are better able meet basic needs and to create different livelihood options.

"The poor" may be defined as falling below some standard and, therefore, often are viewed as a single group for the purposes of targeting policies; however, it is important to keep in mind that there are many types of poverty and that the location of poverty also influences policy options. For example, while rural non-farm income is rising in importance, the rural poor are usually heavily dependent upon natural resources. Attacking rural poverty thus requires improving poor people's ability to derive sustenance and income from these natural resources. In urban areas, the health of the poor is particularly affected by a degraded environment, one characterized by sub-standard housing, inadequate or polluted water, lack of sanitation systems, and outdoor and indoor air pollution. Ill health leads to a host of problems, including a decreased ability to work. Improving the urban environment positively impacts the health of the poor; therefore such improvements may well be a prerequisite for other poverty reduction measures.

Poverty is also a set of relations. The poor compete with each other and with the non-poor for control over assets. Poverty can also differ within households. Women and children, especially girls, often have the least access to productive assets, and are usually the most affected by pollution. Efforts to reduce poverty must also recognize this competition for resources and the differential impact of environmental degradation among and within households.

Revising the Understanding of Poverty-Environment Interactions

New experience with different resource management regimes involving the poor is challenging a number of entrenched assumptions about how the poor relate to the environment.

Poverty Does Not Necessarily Lead to Environmental Degradation. The linkages between poverty and the environment are complex and require locally-specific analysis to be understood—there is no simple causal link. In many areas, the non-poor, commercial companies, and state agencies actually cause the majority of environmental damage through land-clearing, agro-chemical use, water appropriation, and pollution. Sometimes privileged groups force the poor onto marginal lands, where, unable to afford conservation and regeneration measures, their land use practices further damage an already degraded environment. But there are also many examples in which very poor people take care of the environment and invest in improving it. Thus, poverty can sometimes be associated with environmental degradation, but there is not necessarily a direct causal relationship

Population Growth Does Not Necessarily Lead to Environmental Degradation. While initially degradation may occur as population increases, what happens next is context-specific. Where people are too poor to invest now or too poor to wait for the fruits of their investment, further degradation can occur. In other cases, as the cost of land relative to labor increases past a certain point, farmers can change their methods of managing plants and animals or make investment in the land to offset initial declines in productivity from more intensive use. In urban areas, some empirical evidence shows that good urban governance can maintain the environment even as cities grow. Thus, halting population growth or removing people from densely settled areas might improve neither productivity nor resource quality.

Resource Characteristics and Community-Based Action

Developing effective community-based institutions for the collective management of resources is a key factor in determining the success of efforts designed to aid the poor. However, the characteristics of the resource have important implications for building local management institutions. In general, institutional costs tend to be high for managing resources that are: mobile (water, wild fish, game etc.) dispersed or vast; slow growing or fragile; difficult to patrol or monitor; difficult to observe or measure; technically complex; accessed by many people or heterogeneous groups; or highly skewed in their distribution among stakeholders. Conversely, the institutional or organizational cost of collective action tends to be lower when: the resource-to-user ratio is high; a common cause creates cohesion; the group is relatively homogeneous and isolated from disruptive external pressures; and access rights to the resource are secure. Well-conceived policy and strategic investment from the State can help reduce high organizational costs. But in all cases, the benefits of organizing must outweigh the costs

of maintaining the organization. Efforts that fail to address the institutional issues consistently under-perform, no matter who manages them.

Policy Recommendations

Policy makers can be constrained by certain global forces. For example, structural adjustment programs may limit the ability to provide subsidies for the poor. Macro-economic reform can help a country become more competitive, but investing in the fastest growing sectors can draw resources away from long-term investment in the resources of the poor. Changing global markets can exert downward pressures on living standards, and in some countries have obliged many poor people to increase their pressure on natural resources just to survive. Countries may be tempted to overexploit natural resources to handle balance of payments problems. And sometimes new and distant markets can encourage the depletion of local resources to the detriment of the poor.

But much can be done through sound national policy. Policies that support both enhanced livelihoods for the poor and more sustainable management of environmental resources—the win-win scenario—depend on the nature of the resource and the groups involved. Policies that are win-win for the environment and the poor can also mean the non-poor must forfeit some resources or prerequisite, and this requires political will. In general, however, there are several categories of win-win policy options that can be pursued. Many promising experiments are still young and have yet to face second-generation challenges. Still, enough research has been done and enough experience has been accumulated to suggest a few general principles and some concrete ways forward.

Policy Option: Protect the Assets of the Poor

In many cases the poor have the right to manage key environmental resources, but they are not able to protect their rights. Large farmers may take excess irrigation water; trawlers may scour the fishing grounds of coastal villages; companies may obtain concessions to tribal forests; and municipal funds meant for improvements in poor areas may be siphoned off for other projects. Industrial pollution of rural resources by both large and small enterprises is a major cause of environmental degradation and rural poverty in some areas. The state often does not have the resources to monitor in a timely and effective manner the remote and dispersed resources that the poor depend upon. Corruption, incompetence, and indifference can also deprive the poor of the rights they already theoretically enjoy.

The key to protecting the poor from these abuses is encouraging the development of democratic governance systems from local levels upward. The State needs to support representation by institutions accountable to the people so that monitoring of action and enforcement of rights can take place at all levels. Citizen oversight boards, community-level review processes for State-initiated development plans, and ombudsman systems for dispute resolution are examples of such mechanisms. It is also important to strengthen the judicial system as an impartial and independent institution, and to foster the emergence of institutions of civil society that can mediate between different actors.

Policy Option: Improve the Access of the Poor to Resources

A highly unequal distribution of assets often depresses subsequent rates of growth. Reducing income inequality tends to increase aggregate growth and further reduce poverty indirectly. Improving the access of the poor to natural resources and the productivity of those resources not only addresses directly the equity issue, but also provides new markets for other goods and services, thereby stimulating the economy as a whole.

Policy should focus on "environmental entitlements," which includes the broad set of social structures and networks that allow poor people access to a healthy environment and resources for sustainable livelihoods. This often involves turning resources over to the poor as individuals or to organizations composed of the poor.

Where land distribution is highly skewed, land reform can be one option. Because agricultural productivity and investments in agriculture per unit area are negatively correlated with the size of holdings, conducting land reform can increase both production and encourage environmental improvement. Another possibility is regulatory reform, including provisions of rental, lease or harvest (gleaning) agreements for both private and public lands. These can include longer-term rental contracts, explicit agreements about the distribution of benefits from resource improvements, or the granting of formal tenure rights to individuals or groups currently squatting on public lands or in urban areas, so that they can legitimately seek technical assistance, credit and other services and have incentives for conservation.

Historically, governments have had a difficult time with centrally managing dispersed resources in which local people also have a stake. Turnover of the resource to local groups can be one solution. Granting rights to groups involves establishing or strengthening local people's institutions. Where only State or private ownership is allowed by law, legal change may be necessary to accommodate multi-user tenure. Any program to assign rights to resources should be checked for overt or implicit barriers to women [and the poor] obtaining rights, in both design and implementation. For example, modifications in local property rights that accommodate common property management have been key elements in African "success stories" for land reclamation, forest management, local fisheries management, small-scale irrigation, resource protection, range management, and wetland cultivation.

Awarding resources to poor people sometimes can lead to environmental degradation, especially if their tenurial rights to the resource are not secure. But in numerous other cases, it has been shown that improving poor people's control over the environment provides a powerful incentive for them to protect the environment. But it is important to understand the local context and to promote equitable local organization. Resources that have been devolved to local levels for community management can be differentially

captured by local elite's, unless the state plays appropriate monitoring and enforcement roles.

Successful examples of turning over water rights to landless people or to local groups of farmers have been recorded, especially in Asia. In a number of cases, governments have turned over the rights to the forests to local groups, as in Nepal, which has led to both greater environmental benefits and more income for poor people. These efforts have been most successful when the new arrangements have built upon the management systems communities were already practicing. Ownership of resources can be fostered through the availability of locally based finance and credit schemes or through selective investments in the resource base at the time of turnover.

In urban areas one of the key resources that can be awarded to the poor is the right to occupy the land they live on. Many urban poor live in illegal squatter villages where they are systematically denied access to municipal services. In such cases, poor people can benefit from more secure tenure to the land on which they build their houses. This not only permits public utilities to be extended and upgraded in their area, but also encourages the poor to make investments in their housing and surroundings.

The question can arise as to whether people have the technical knowledge to manage a resource well. When people move into new settings or when conditions change, then a period of learning and adaptation is needed. The poor may not always be immediately aware of the effects of gradual and sometimes imperceptible degradation. In general, however, evidence shows that the poor have an enormous store of indigenous technical knowledge and a body of customary law that provides a social platform for collective action. Scientists and extension workers have discovered that many indigenous technologies and management practices are suitable for dissemination or as the basis for improvements. These technologies and local organizational forms have already been ground-tested by people. Extra effort is needed on the part of government agencies to understand and appreciate this important body of local knowledge. For example, customary rights are location specific and highly dependent on negotiated solutions, and unless care is taken, poor groups and women can lose out as a result of policies and processes to formalize these relations into forms recognizable by the State.

Policy Option: Co-Manage Resources with the Poor

When a resource has multiple stakeholders with conflicting objectives and differential power, the government may wish to work out co-management arrangements. The government seeks to strengthen local organization, but also to provide technical assistance and to mediate the overlapping and conflicting claims on the resource. This approach is favored by governments as it enables them to continue to exercise a regulatory role (important where there are environmental externalities associated with the use of the resource), and to retain control over components of the resource of direct value to the State. Typically, successful co-management partnerships give local people specific control over the output in return for involvement in decision making and various duties related to the protection of the resource.

Co-management responses are more successful than complete turnover when the capacity to manage at the community level have become eroded or broken. But transaction costs associated with organizing fragmented communities to take on responsibilities within co-management systems require intensive and sustained involvement by external bodies. It is especially important to make sure that the poorest users of the resource are not excluded under the new arrangements.

The challenge in co-management efforts is to reconcile poor peoples' needs and environmental enhancement goals, and to channel the returns to those who carry the costs. Positive examples of forest co-management systems can be found in the Joint Forest Management program in India, and in the game park management efforts for the Campfire program in Zimbabwe. Co-management programs in forestry have been most successful in villages bordering extensive tracts of degraded forests, where the forest-to-household ratio is relatively high, where ethnically homogeneous communities possess forestry knowledge, and when benefits accrue from minor forest products at a relatively early stage. Joint management has also been successful in the mangrove areas when the protection against flooding and erosion from improved management directly and immediately benefits local people.

For some large-scale or technically complex systems, the State may have some comparative advantage in management. Water supply and sanitation systems, large irrigation systems, and power generation facilities, for example, all require specialized personnel. But while in many cases these personnel work for the state, better mechanisms of accountability can be set up so that they are more responsible to the people they serve. Efforts toward co-management can include setting up citizen oversight boards, linking salary adjustments to user evaluated performance, or actually putting the technical staff in the employ of the user group.

Policy Option: Co-Invest with the Poor

In other cases, transfer of ownership or management authority is not the issue. Instead the State co-invests with the poor on the lands they already own. Co-investment with local communities or farmer organizations may be used to mobilize longer-term investments, such as soil conservation or improvement, irrigation and drainage infrastructure, grazing land rehabilitation, land-leveling, or micro-watershed re-vegetation. Notable examples of this can be seen in government programs to assist hill irrigation systems in Nepal and Bhutan, the *irigasi desa* programs in Indonesia, and various tank rehabilitation and micro-watershed improvement programs in India. In some projects, the villagers themselves contribute up to 90% of the value of the investments. Keys to the success of these systems are that farmers retain control of the authority and responsibility to manage their resources, and that investment from the State catalyzes the mobilization of additional resources from the farmers themselves.

In both rural and urban areas, improving access to better water supply, sanitation, and energy services is critical for reducing the health effects associated with indoor cooking smoke and poor hygiene, and for reducing the illiteracy often found in houses with poor

lighting. But the poor often face high initial costs in the form connection fees, the cost of LPG canisters, or other one-time costs. The government can help improve the access of the poor to municipal services and modern energy technologies by subsidizing initial costs or by developing innovative financing mechanisms. Expanding the market for advanced technologies (for instance, household lighting systems using photovoltaic technology or efficient biomass or LPG stoves) for the poor will also help bring down unit costs. Subsidies may be used in the earliest phase of the program to generate interest and wide participation in unfamiliar technologies, but subsidies beyond management costs are neither necessary nor desirable. The poor can usually pay the monthly costs of electricity, gas, and water—indeed, they usually already pay more for poorer quality—but the primary obstacle can be the high initial costs associated with better quality services.

Policy Option: Employ the Poor

Some macro-environmental improvements, like watershed protection or nature reserves, are public goods whose benefits accrue only partially to poor local people. Many of these activities are labor-intensive, and offer an opportunity for public and private-sector organizations to provide paid employment to the poor. Longer-term livelihood opportunities for the poor may be integrated into plans for environmental management, such as hiring the poor or landless as guards in community and national parks, forests, and biodiversity reserves; hiring the poor to establish and protect wildlife corridors in agricultural regions; or for local water quality monitoring.

Employment of the poor for large-scale resource improvements may be financed through municipal governments, which, for example, may be concerned to protect water resources, or through temporary public works programs intended for relief or employment generation.

Direct employment projects appear most likely to be successful where there are well-established supervisory organizations, reliable funding arrangements, and where the people hired—and who will be using the resources over the long term—are involved in the process of the design and selection of interventions.

Policy Option: Compensate the Poor.

In some cases, the rural poor may have few economic incentives to manage their natural resources more sustainably, but other groups have an abiding economic or environmental stake in maintaining or improving the resource. Here, it may be possible for governments or other institutions to develop mechanisms for them to be compensated for the costs incurred in changing their management or use of resources.

Examples of compensating the poor include systems to pay local farmers to control agricultural burning to achieve national or international carbon emission or air quality targets or various tradable rights systems. Municipal water companies may be able to reduce the cost of acquiring water by paying farmers to use water-conserving practices. Municipal authorities may also invest in watershed improvement to reduce erosion into reservoirs supplying urban areas.

Policy Option: Support Infrastructure Development for the Poor
People living in poor rural areas can benefit from State-financed or subsidized improvements such as rural electrification, feeder roads, irrigation development and long-term investments. It is important, however, to develop or work with local organizations to collaborate with the government on planning these investments, so that the cost of subsequent routine maintenance is largely carried by the users.

In urban areas, poor people suffer greatly from air pollution caused by inefficient transportation systems. Since transport is one of the fastest growing sectors of energy use in the developing world, and mobility is linked to access to jobs, the planning of efficient land-use patterns and transport corridors in urban areas will have significant long-term implications for both energy and poverty. Clean fuels and efficient public transportation systems can reduce pollution in urban areas, improving health dramatically. Zoning reform that allows the poor to live closer to the areas in which they work also can reduce pollution and the cost of transportation to the poor. Improved telecommunication systems have had the proven effect of cutting down on trips meant mainly to seek information.

Many accidental injuries, fires, and health problems are linked to poor quality, overcrowded housing. Governments can improve the condition of housing for the poor, both through direct investments in construction and allied infrastructure, as well as through indirect means like credit provision and improving tenure rights on the land.

Strengthening the capacity of city and municipal governments to address the lack of sewers, drains, piped water supplies, garbage collection and health services is also a pre-condition for building the national institutional capacity to address air and water pollution, protect natural resources and reduce greenhouse gas emissions. Cities such as Ilo in Peru and Manizales in Colombia have developed local Agenda 21 plans that have brought major benefits for low- income people. Through more democratic local government, Porto Alegre in Brazil has provided nearly all its inhabitants with piped water, regular garbage collection and reasonable sanitation facilities. In these examples, innovative city government has been the driving force. In other cases NGOs have been able to play strong stimulating and intermediary roles in urban improvement efforts.

Policy Option: Develop Technologies that Benefits the Poor
Developing technologies and resource management systems that raise overall productivity and protect or improve the environment requires a conscious reallocation of research funds away from the most favored environments and toward the resources upon which the poor depend most—fragile and rainfed lands, livestock development, agro-forestry systems, and subsistence crops. Technologies need to be tailored for use on specific soil types and climates, requiring a heavy investment in on-farm adaptive research. New institutional strategies are needed to reduce the cost of this research, by linking extension efforts and people's organizations.

In the energy sector, most countries have a regulatory environment that does not promote the adoption of innovative technologies and approaches and instead favors conventional energy supply options. Policies must be designed to improve the access to energy services for poor people, with incentives offered to private power developers to make use of the best-suited technology options. In some cases, where grid access is convenient and cost-effective, flat rate, yet low cost, billing can overcome costly metering. Similarly, many conventional problems of theft can be avoided by encouraging local, self-governing institutions to manage distribution of energy services, for instance, through bulk sales to co-operatives.

To improve the health of the poor and reduce stress on the environment, innovation in sanitation and water treatment that does not use chemicals is required. Technical innovation (and changes in regulations) could better enable human excreta to be recycled for both urban and rural agriculture. Ecological sanitation would prevent disease, conserve and protect water sources, and recover and recycle nutrients in a non-polluting way.

Policy Option: Intervene to Overcome the Deficiencies of the Market

Market forces may lead to efficient allocation of resources when maximizing short-term return is the goal. However, markets are not always environmentally friendly, and not always supportive of poor people. In many cases, markets barely reach poor and isolated communities. In other cases, integration of poor areas into national or international economies, or the popularization of products that were formerly consumed only locally, can create demand that outstrips sustainable supply. Resources that had been used only for local consumption can be suddenly over-exploited as markets increase, as happened in the case of the shrimp industry in Southeast Asia.

Trade for industrial or niche exports markets often expose rural households to high levels of risk, particularly where the trade has encouraged people to move away from more diversified and less risky agriculture-based livelihoods. When the government promotes a certain market, it must also avoid playing the middleman by obliging farmers to sell to government marketing bodies, or to traders to whom concessions have been granted, or to compete in the same market from State-owned enterprises, many of whom receive various forms of subsidies.

Market development should be gradual and accompanied by efforts to help the poor adapt their institutions to new conditions. When government promotes products for industry, while the poor give priority to products that help meet subsistence and protection needs, market inefficiencies can appear and the poor can be vulnerable when any subsidies are removed. For example, growing trees as cash crops has proved to be appropriate primarily for those who had other land for food or cash crops, or those who had off-farm income, not for the very poor.

Policy Option: Develop Insurance Systems for the Poor

Insurance systems need to be developed for the poor—cash payments, in-kind provisions, or public works employment—so that during periods of drought, major crop failure, or

natural disaster they can provide for subsistence needs without over-exploiting natural resources. A corollary to this would be to establish formal arrangements for (limited) access to critical environmental resources for the increasing numbers of temporary migrants (e.g., from drought or disasters) and refugees, to limit local over-exploitation and conflict. Regular programs in which the poor are put to work improving the environment can be expanded during crisis times to provide a measure of insurance for those most affected.

Policy Option: Eliminate Subsidies for the Non-Poor

Finally, many non-poor receive substantial subsidies from the State. Removing these subsidies can be a source of funds for investment in the resources needed by the poor. For example, many governments give farmers in large-scale government-managed systems free or heavily subsidized water. Charging rates that more closely approximate the market price of water in many countries would generate millions of dollars of revenue and would lead to more efficient use of water.

Many countries set import duties and taxes very high for energy technology and equipment, including those that are very energy efficient, but offer subsidies to conventional energy, often to appease particular industry or agricultural lobbies. Thus, many efficient energy technologies that could improve energy services and benefit the are placed out of reach to poorer households.

Furthermore, most prices for conventional energies do not reflect social and environmental externalities. Subsidies are often associated with poor service, such as frequent voltage fluctuations, because energy suppliers find it difficult to generate enough revenue to maintain their equipment properly. If combined with appropriate financing schemes, end-users may be quite willing to use more efficient devices and also pay higher prices in exchange for assured quality of energy services that will lower their total energy consumption. The urban poor often pay more per unit for energy services and water than the non-poor, so reducing subsidies for the non-poor and extending higher quality services to the poor can be financially feasible.

Policy Option: Reform Planning Procedures

Community-based ecosystem planning can help move from ecological poverty to ecosystem health through natural resource regeneration and maintenance of biodiversity, both on land and in aquatic environments. By linking urban biodegradable waste to agriculture and recycling nutrients, food production can increase, and degraded lands can be reclaimed. An urban policy framework can be comprehensive and eco-friendly if it integrates environmental concerns with natural resource management and problems of other sectors (e.g., agriculture and forestry). This requires better understanding of water and nutrient cycles as they pass through communities and households, and a good inventory of the current natural resource base. It also requires a better understanding of resource uses and users, i.e. who has which and who has access to and control over resources. The different uses and knowledge of the ecosystem of women and men need also to be taken into account.

Planning reform also needs a vision across time, and involves bringing in different groups of poor people in longer-term land use planning efforts to ensure that both their existing use patterns and future needs can be met. Environmental enhancement and poverty eradication strategies also urgently need a spatial vision, so that the solutions for urban-related problems do not cause rural-related problems, and vice versa.

Policy Option: Co-ordinate donor policy and action
International agencies must coordinate their development policies and actions to ensure that developing countries are not forced to deal with conflicting donor requirements nor with demands that seem counter to progressive national development policy. For example, action by one donor that provides funds for infrastructure development by a community run cooperative in order to employ and support the poor will be difficult if another donor insists that government contracts be competitively tendered out to private contractors.

Although this section has focused on livelihoods and the environment the concept of sustainable livelihood goes beyond sustainable natural resource management. One of the strengths of the sustainable livelihood approach is that its core principles can be applied to any thematic sector. The value added to this approach is that it encourages policymakers use a holistic lens to view issues, which were often previously examined in a development 'niche'. The next section demonstrates how the sustainable livelihoods approach can be used to broaden the policy debate in the development of policies that promote sustainable youth livelihoods.

Section 4: Promoting Sustainable Youth Livelihoods

The interest of the Unite Nations in the specific question of youth dates back more than a quarter of a century. As early as 1965, the United Nations General Assembly adopted the declaration on the Promotion Among Youth of the Ideal of Peace, Mutual Respect and Understanding Between People. In the following years the UN expanded its work in this concern emphasising the questions of youth participation, peace and development. In 1985 the UN General Assembly called for the observance of International Youth Year: Participation, Development, Peace which drew international attention to the important role young people play in the world, and, in particular, their potential contribution to development and the goals of the United Nations Charter. Ten years later the General Assembly adopted an international strategy— the World Programme of Action for Youth to the Year 2000 and Beyond. This World Programme focused in particular on measures to strengthen national capacities regarding youth and to increase the quality and quantity of opportunities available to young people for their full participation in society. Policy development for sustainable youth livelihoods outlined in this paper complements and builds on the principles outlined by the UN General Assembly.

Currently there are about one billion people between the ages of 15 and 24 years, the WHO definition of youth. Most young people—about 85 per cent—live in developing countries with 60 per cent in Asia. The annual growth rates of youth population have slowed down in every region during the 1990s, according to United Nations statistics. Developed regions, and Eastern Asia—comprising China, Japan and others—suffered a

negative growth rate. As a proportion of total population between 1980 and 1995, the number of young people has dropped everywhere except Africa. In industrialized countries and East Asia, declining fertility rates have created aging populations, and social and economic policies are sometimes tilted in their favour. At the same time, by virtue of their numbers, the limited economic opportunities and high levels of unskilled youth, poverty is gradually becoming a youth phenomenon. This in turn is creating a downward spiral of inter-generational poverty. Demographic, cultural, social and economic factors associated with those living in poverty often combine to present young men and women with significant challenges in establishing a sustainable livelihood. The exact circumstances facing youth around the world obviously varies widely. However, there are many common constraints, opportunities and assets shared by youth.

As a group young men and women are often marginalised in society, which results in limited access to resources including kinship networks, education, land & technology; and little or no interaction with formal institutions. These challenges are not unique to youth. However, evidence indicates that youth are affected in a disproportionate manner. Young women are particularly affected. Their cultural and social position, and lack of skills, knowledge and institutional support often makes them vulnerable to prostitution, early wedlock and child-bearing, HIV/AIDS and abuse during civil conflicts which further limits their choices later in life. But global productivity and security will hinge on developing their full potential and engaging them not only as beneficiaries, but also as participants and problem-solvers.

Traditional youth development programmes have tended to focus on youth as a separate development 'niche'. This approach overlooks the fact that youth livelihood systems are inherently interconnected to the surrounding social, financial and ecological environment especially as members of households in a given community. Examples of this are programmes that provide vocational training to youths who then face the prospect of looking for work in weak economic environments where there are little or no formal job opportunities. Past programmes that have concentrated on employment generation for youth have essentially failed to recognize the complex and diverse nature of youth livelihood systems. Conceptually, employment can be viewed as just the activities within a livelihood system, the others being assets and entitlements.

The reality is that youth livelihood systems comprise a complex and diverse set of economic, social and physical strategies. These strategies are realized through the activities, assets and entitlements by which individuals make a living. Sustainable livelihoods are derived from youth's capacities to exercise choice, and to access opportunities and resources, and use them for their livelihoods in ways that do not foreclose options for others to make their living, either now, or in the future. Given the complex nature of youth livelihoods it is clear that policy interventions that focus narrowly on providing jobs for youth will rarely be sustainable as they fail to take into account the holistic nature of youth livelihood systems. It should also be noted that failures such as these are often present in programmes targeting adults. The concept of the sustainable livelihood approach presented here is equally applicable to both youth and

adults. In adopting a more holistic approach it will be important to look at the overlap between these groups in programme work.

Today's policy response requires some fundamental shifts in the way policy makers view the challenge of providing jobs for young people. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of youth livelihood systems. The goal of policy should be to support existing and develop new livelihood systems for youth. The SL approach incorporates a set of four core principles that can be used to make policy more responsive to young people's own interpretations of and priorities for their livelihoods. These core principles guide policy makers to focus on:

- youth assets and strengths;
- entitlements;
- macro- micro linkages;
- the holistic nature of livelihood systems; and
- the sustainability of policy outcomes (here sustainability implies ecological integrity, social equity, economic efficiency and the ability to withstand outside shocks and stresses.

Each of these principles and their policy implications are discussed below.

Youth assets and strengths

The SL approach starts with an analysis of youth strengths, as opposed to needs. This recognizes the inherent potential of youth, which is based upon their access to assets and their coping and adaptive strategies developed to deal with outside shocks and stresses. (It also recognizes that a focus on strengths is more empowering for youth than one on weakness). Assets, in this particular context, are defined as not only natural (i.e., land, water, common-property resources, flora, fauna), but also social (i.e., community, family, social networks), human (i.e., knowledge, creation by skills), and physical (i.e., roads, markets, clinics, schools, bridges). A focus on these assets will broaden policy making so that instead of looking at youth in an enclave it is now conceptually easier to see that youth livelihoods are inherently connected to and crucially depend on their households and the surrounding environment. In this case policy should aim to improve youth access to assets and to build on and support existing youth coping and adaptive strategies. It should also be recognised that in many cases young men have better access to resources than young women. This will require that policy makers identify the obstacles that youth face in accessing assets and the development of appropriate policy to overcome these.

Entitlements

Entitlements refer to human rights, which include economic, social, cultural and political rights, all of which are interdependent and recognised by the international community. The sustainable livelihood approach first tries to identify the constraints that prevent youth realising these entitlements and secondly attempts to overcome these constraints through empowering youth and eliminating discrimination. The primary focus is on the

linkages between government, civil society and youth with the aim being to increase the accountability of public institutions.

Macro micro linkages
The SL approach recognises the importance of macro level institutions and policy on youth livelihoods at the micro level. Policy should aim to bridge the gap between the macro and micro levels. It is equally important that policy formulation at the macro level be based upon the micro realities faced by youth. Although local youth issues relevant to policy making will be cross sectoral and complex, policy tends to be simplified and set within sectoral government ministries or multi lateral departments. This conflict needs to be dealt with to ensure effective participatory policy making.

Holistic
To make policy more effective, policy makers need to be aware of the cross-sectoral and multi disciplinary nature of youth livelihoods. In this way the SL approach provides a way to understand what shapes people livelihoods and how the various influencing factors can be adjusted so that, taken together, they produce a more beneficial livelihood outcome. One of the major challenges in policy development is reconciling the fact that sectoral government line ministries will have to develop and implement cross-sectoral and multi- disciplinary policy.

Sustainability
In order for policy to be sustainable it is necessary to recognise that sustainability has many dimensions. The sustainability of livelihoods is a function of how men and women utilize asset portfolios on both a short and long-term basis. Sustainability should be defined in a broad manner and implies:

- The ability to cope with and recover from shocks and stresses;
- Economic efficiency, or the use of minimal inputs to generate a given amount of outputs;
- Ecological integrity, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and,
- Social equity- the promotion of livelihood opportunities for one group should not foreclose options for other groups, either now or in the future.

Such a broad definition of sustainability provides policy makers with a broad range of policy options. However with diversity come policy trade offs. Common trade offs include tension between local livelihood needs and wider concerns about environmental sustainability, maximizing returns to livelihood systems in the short run while guarding against shocks and stresses in the longer run, and developing youth livelihood systems without compromising livelihood opportunities to others in the community.

Policy Recommendations

The policy objective is the formulation and adoption of an integrated national youth policy that supports and develops youth livelihoods. This should be done as part of a

continuing process of review and assessment of the situation of youth, formulation of a cross-sectoral national youth programme of action in terms of specific, time-bound objectives and a systematic evaluation of progress achieved and obstacles encountered. NHDR's that focus on youth livelihoods and embrace the following policy options will provide an important step forward.

Policy Option: To develop effective policy that builds on *youth assets and strengths.* The following action points are recommended:

- In order to identify the assets of youth in a particular country policy makers will require data on the current state of youth livelihoods. These can come from a variety of sources including as already mentioned UNDP National Human Development Reports focusing on youth. An initial priority is the strengthening and improving of national capacities for the research, design, conduct and dissemination of relevant studies on the situation of young people must be a priority. The latter can be facilitated through strengthening the linkages between stakeholders (see table 1 below). In many countries data on youth livelihoods will be sparse in this case it will be necessary for participatory assessments of the risks, assets, entitlements and indigenous knowledge base of youth in representative communities. Assets, in this particular context, are defined as not only natural (i.e., land, water, common-property resources, flora, fauna), but also social (i.e., community, family, social networks), human (i.e., knowledge, creation by skills), and physical (i.e., roads, markets, clinics, schools, bridges). These are usually manifested in the coping and adaptive strategies pursued by youth. Coping strategies are often a short-term response to a specific shock such as street violence or drugs. On the other hand, adaptive strategies entail a long-term change in behaviour patterns as a result of a shock or stress. Both have implications on the composition of the assets (i.e., depletion, regeneration) from which they are derived. UNDP is able to share with member countries expertise in sustainable livelihoods tools and methodology that can be used for such participatory assessments.

- An effective policy intervention that builds on the dynamism of youth would be to focus on the development of youth enterprise and entrepreneurial capabilities. The latter are particularly important for the majority of young people who are operating outside formal economic and learning institutions. Enterprise capabilities are attitudes and behaviours that allow a person to adapt to changing circumstances by taking control and initiative. Examples include self-determination and initiative, focussed decision-making, creativity, foresight and strategic thinking, resilience, conflict resolution, marketing and management. These capabilities applied to business formation and expansion are called "entrepreneurism" whereas enterprise skills may be applied to a wide variety of other life circumstances, including coping with and adapting to conditions of poverty and making decisions regarding health and well-being.

- Governments can establish formal or semi-formal mechanisms to assist participatory policy. For example, through the setting up of youth policy implementation units.

These units are typically attached to ministries. Their job is to work in a collaborative way across ministries to promote participation in youth decision-making within the government, and then to reach outside that arena to get input from other sources.

Policy Option: To develop effective policy that ensures *youth entitlements* (economic, political, social and cultural). The following action points are recommended:

It is important to define the roles of the various governance institutions responsible for respecting, protecting and promoting youth entitlements. These include government, civil society organizations, schools, youth organizations, youth advocacy groups and the media-all these groups play a crucial role in monitoring, protecting and promoting youth entitlements. Defining roles will require close cooperation and the building of links between all relevant institutions this is discussed next.

Policy Option To develop effective policy that strengthens *macro micro linkages.* The following action points are recommended:

For a youth strategy to be to be effective, good links need to be established between all the stakeholders involved in its development. These links will allow for the exchange of ideas and capture the cross sectoral nature of youth livelihoods by bringing together key stakeholders from different. The major stakeholders include the youth community, non-governmental organizations, provincial, national and international research institutes and government organizations. There are a number of institutional obstacles, which exist between stakeholders that will need to be overcome in order to improve linkages. Although the extent and type of obstacles will vary according to the country and region, common obstacles and appropriate action are listed in the table below:

Improving linkages between stakeholders

Obstacle: Cultural and institutional barriers restricting effective participation by youth in the development of a strategy for youth development.

Actions: Ensure youth community participation in the design of research projects. Participatory policy making is a Process, not an Event. Participation makes it necessary to be responsive to a range of interests that may or may not have been fully understood at the outset. As a practical matter, this suggests the desirability of phased programs, rolling designs, and flexibility.

Arrange for youth representation in strategy development meetings held at the district, provincial, and national level.

Feedback from outside stakeholders to the youth community should be presented so that information is readily accessible and understandable e.g.: posters, flip charts, practical demonstrations, comics.

Obstacle: Negative stereotypes, especially between NGO's and GO's and between youth groups and GO's.

Actions: Strategy development meetings held between stakeholders can be facilitated by neutral third parties.

Encourage familiarity; ensure that when stakeholders visit each other (i.e.: in the community villages, NGO offices, government offices etc.) a significant amount of time is set aside- discourage 'in and out' morning or afternoon only visits.

Obstacle: The problem of sectoral institutions working together to develop a cross sectoral strategy for sustainable youth livelihoods.

Actions: A youth unit or at the very least youth focal point should be established in all line ministries to help in the coordination, development and dissemination of youth policy.
All stakeholders involved in policy development must be aware of the cross sectoral nature of youth livelihoods. UNDP programme experience from has shown that differences between ministries are somewhat diminished at the district level, such cooperation needs to be replicated 'upstream'.

Section 5: Turning Policy into Action

Combining efforts to support livelihoods while enhancing the asset base on which livelihoods depend requires first and foremost the political will to eradicate poverty. While many policies will be win-win, not all can be. The search for win-win situations should not divert the State from also making selected other choices in favor of supporting livelihoods, some of which will require the conscious reallocation of resources from richer groups to the poor. The more governments invest resources in the poor and the environments upon which they depend, the more they build political capital that can make such reallocations easier in the future.

Conceptual Shifts

To achieve a new method of working, government agencies—and sometimes NGOs as well—must undertake to make a number of conceptual shifts. Building partnerships with local communities is a new endeavor for many agencies, and one that requires not only good will, but also a commitment to experimentation and fine-tuning solutions. In brief, a few of the conceptual shifts government must make include the following:

- A sustainable livelihoods approach requires a shift from the policy objective of providing for the poor to one of creating or strengthening their capacity to act for themselves. This requires building the capacity of the poor to take control over their own lives. The implication for the state is the creation of political space in which self empowerment can occur.

- Value the poor as the solution; do not see them as the problem; use a people-centered framework

- The evidence presented in this paper suggests that people do have considerable intellectual and other resources to invest in the solution of problems; that they do innovate; and that they must be part of the solution. Working with people makes it an effort that is owned by both sides.

- Due to the erratic nature of foreign investment the focus should be on mobilising domestic resources for investment into those sectors such as health and education that are central to supporting livelihood systems.

- Engage poor people as partners not beneficiaries

- Partnership requires sharing of rights and responsibilities. This concept moves away from the common situation where governments dispensing aid in a charity-type mode. The planning and organization states of building partnerships take longer, but the benefits should last longer as well.

- Government creates incentives for the poor to mobilize resources, and moves away from just exhorting the poor to mobilize resources. Here the government can use its resources to catalyze investment from the people in new arrangements. Governments can create enabling situations, provide matching funds or other incentives to catalyze co-funding from the poor. It is, however, essential for the poor to be involved in the planning of all activities.

- Government helps catalyze the formation of people's organizations, and moves away from creating organizations by government fiat. New management arrangements require new institutions. Many of these require new forms of people-managed organizations, such as water user groups, forest protection committees, electricity cooperatives, sanitation districts, etc. However, merely creating institutions by fiat has been a recipe for frustration in the past. Again, the government needs to provide a flexible enough legal platform to stimulate the emergence of these institutions, and sufficient patience to work through their gradual development. Creating institutions by fiat has been a recipe for frustration in the past.

- Government gives the poor real ownership, not just sense of ownership. People cannot be fooled by efforts to give them "sense of ownership" if it is not backed up by real ownership. Transferring greater responsibilities to people can only succeed if it is balanced by greater rights. Often, this involves legal change, as well as new operational guidelines.

- Realize that some policies to improve the environment and attack poverty include actions that redirect some resources away from the wealthier

- Working with the poor can achieve much, but it may not be able to achieve all the poverty and environment objectives without some reallocation of resources away from the non-poor. This does not require embracing a Utopian vision of absolute equality, but it does require a shift toward thinking that equity does matter.

If governments take steps to make these conceptual shifts, poor people will be more inclined to make a conceptual shift toward viewing the government as a viable partner in development.

Cross-cutting Operational Principles

Gender in sustainable Livelihoods
Economic, political, socio-cultural and legal factors frame the policy context and affect the livelihoods of men and women. Customary and statutory laws which are often gender divisive include property rights and ownership, laws of inheritance, family laws which address minimum age for marriage. Citizenship and labour laws are also gendered. In all these areas, gender issues are interwoven with those of class, race and ethnicity, and physical ability. At the same time women are often given uneven access to economic opportunities, this raises macro level concerns such as leveling the playing field on which economic goods are transacted. It means, at the macro level, influencing the market and redefining the terms on which reproductive labour is supplied. At the micro level, it means improving the confidence levels of women and men and recognizing and rewarding more egalitarian practices.
Policy goals should express a concern to eradicate barriers to gender inequality, recognizing that the costs of inequality detract from realizing the fullest human capability. This cost will be borne by society as a whole. At the same time given uneven access by women to economic opportunities, policy should focus on macro level concerns such as leveling the playing field on which economic goods are transacted.

Governance arrangements for sustainable livelihoods.
It is also important to acknowledge that governance in the context of SL means working both at macro and micro levels. The sustainable livelihood approach aims to empower local communities so that they feel enables to act themselves to influence and change governance arrangements. Crucial to this process is the effective interaction between local government and community-based organisations. In this situation the role of NGO's changes from one of providing services to that of helping to build capacity for such interaction to take place.

Prioritize investments in Neglected Areas. While the record of development efforts to improve conditions in risk-prone regions or in spatial poverty traps is mixed, community-based approaches are showing promise in many regions. Reinvesting in neglected areas requires a change in government and donor policies so that these areas begin to be treated as potential contributors to national product and well-being, and not just as the target of welfare transfers. Accomplishing this requires improved access to productive assets to the poor, as well as institutional changes that reverse the bias of governmental institutions against small producers and indigenous populations. In addition, given the magnitude of

land degradation and the scarcity of productive land in many neglected areas, basic infrastructure development and other activities that foster the creation of off-farm productive employment and income opportunities for the rural poor is crucial.

Work Across Sectors. People do not look at resources in a disaggregated way, they have no "sectors." The poor rely on access to and control over a diverse set of resources for their livelihood. Governments may divide themselves into Departments of Agriculture, Water Resources, Forestry, Fisheries, Municipal Water Supply, etc., which are rarely organized to facilitate inter-sectoral solutions. However, poor people's survival strategies are **integrated**, that is, they use a combination of resources and make calculations across different sets of resources when planning their investments and extractions. Furthermore, the poorer the people, the more likely they are to derive their livelihoods from a diverse set of activities, and to rely on a diverse set of natural resources. A livelihoods approach helps to make the trade-offs between economic growth, human development, social integration and environmental integrity explicit. Support to livelihood approaches and other adaptive management tools is required to develop management practices that meet the dual objectives of sustainable resource management and poverty alleviation, and that are acceptable to all, or most, of those with a stake.

At a macro-level, the government does still have very important supervisory and planning responsibilities. Intersectoral coordination must still be a goal at the ministry level. Calls for government agencies to deal with intersectoral issues in a holistic manner by themselves usually go unheeded. Again, access to government at high levels by people's organizations or other elements of civil society can help make sure that intersectoral concerns stay on the agenda, and that the integrated perspectives of the poor in particular, are voiced.

Protect the Assets of the Poor. While all rights regimes involve some regulatory and supervisory role for the state, in some cases the rights regime may already be relatively favorable for management by the poor, but they are not able to protect their rights. Poor people need to be protected from or empowered to fight against actors who encroach upon their resources.

For example, coastal fisherfolk may have the right to fish in certain waters, but they may be powerless against trawlers that sweep through their fishing grounds. Irrigators at the tail end of a large irrigation system may have the formal right to water, but in fact their share may be taken by farmers near the head of the system, who may even have switched to higher value and more water consumptive crops through collusion with irrigation officials. Persons dependent on the forest may have no recourse against illegal logging taking place in upper watersheds, but yet they bear the consequences in the form of floods, drought, and soil loss. Municipal funds meant for improvements in slum areas may be siphoned off for projects that benefit the better off. Resources that have been devolved to local levels for community management can be differentially captured by local elites, unless the state plays appropriate monitoring and enforcement roles, in addition to its efforts throughout to foster participatory institutions.

The political will of the state in championing the cause of the poor is tested through its commitment to fight corruption and to uphold the rights regimes it has already developed, and to develop new, enhanced rights regimes for the poor.

Develop Pluralistic Approaches. In parallel with support to broader partnership approaches, considerable attention is also given to developing more flexible pluralistic approaches to decision making. The concept of pluralism recognizes the existence of differing and often conflicting positions. Pluralism has encouraged the development of innovative tools such as resource management contracts and codes of conduct. Such concepts raise issues such as how to achieve needed checks and balances, and accountability, in the absence of absolute standards or single clear-cut solutions. They require more research and testing to translate them into viable operational procedures.

Monitoring and Evaluation

The future assessment of Sustainable Livelihoods (SL) orientated policy needs to be continuously monitored to allow for learning and the identification and dissemination of best practices. Indicator development, monitoring, evaluation and learning will need to take place at all of the following levels. Specifically, the following indicators can be used to achieve this:

- inputs of resources SL policy and programming;
- outputs of tangible products and services which result from SL policy and programming;
- outcomes (extent to which outputs have been used);
- impact (extent to which peoples livelihoods have been changed)
- process (the process refers to the approach used in utilising the inputs to generate outputs, outcomes and impacts).

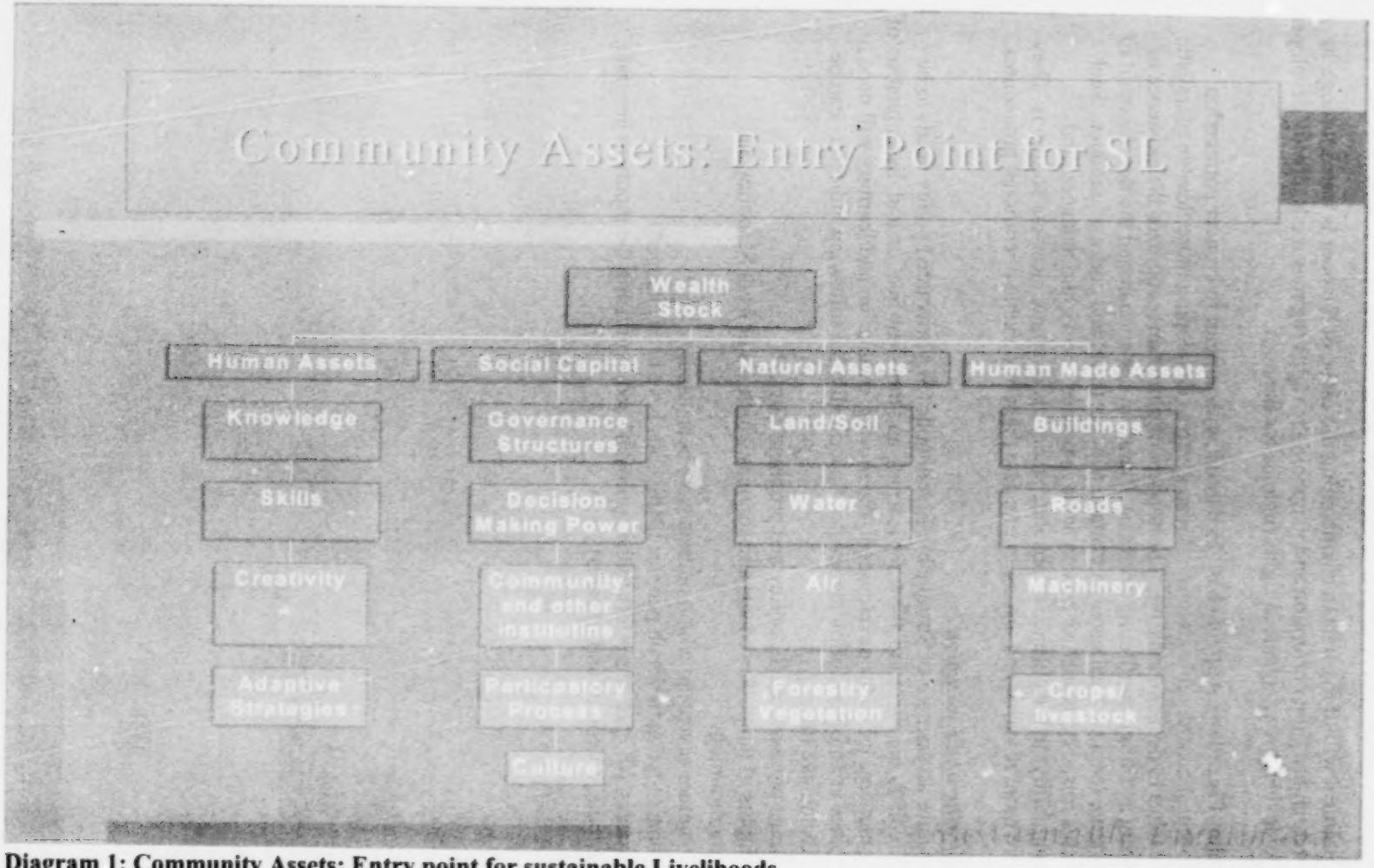


Diagram 1: Community Assets: Entry point for sustainable Livelihoods

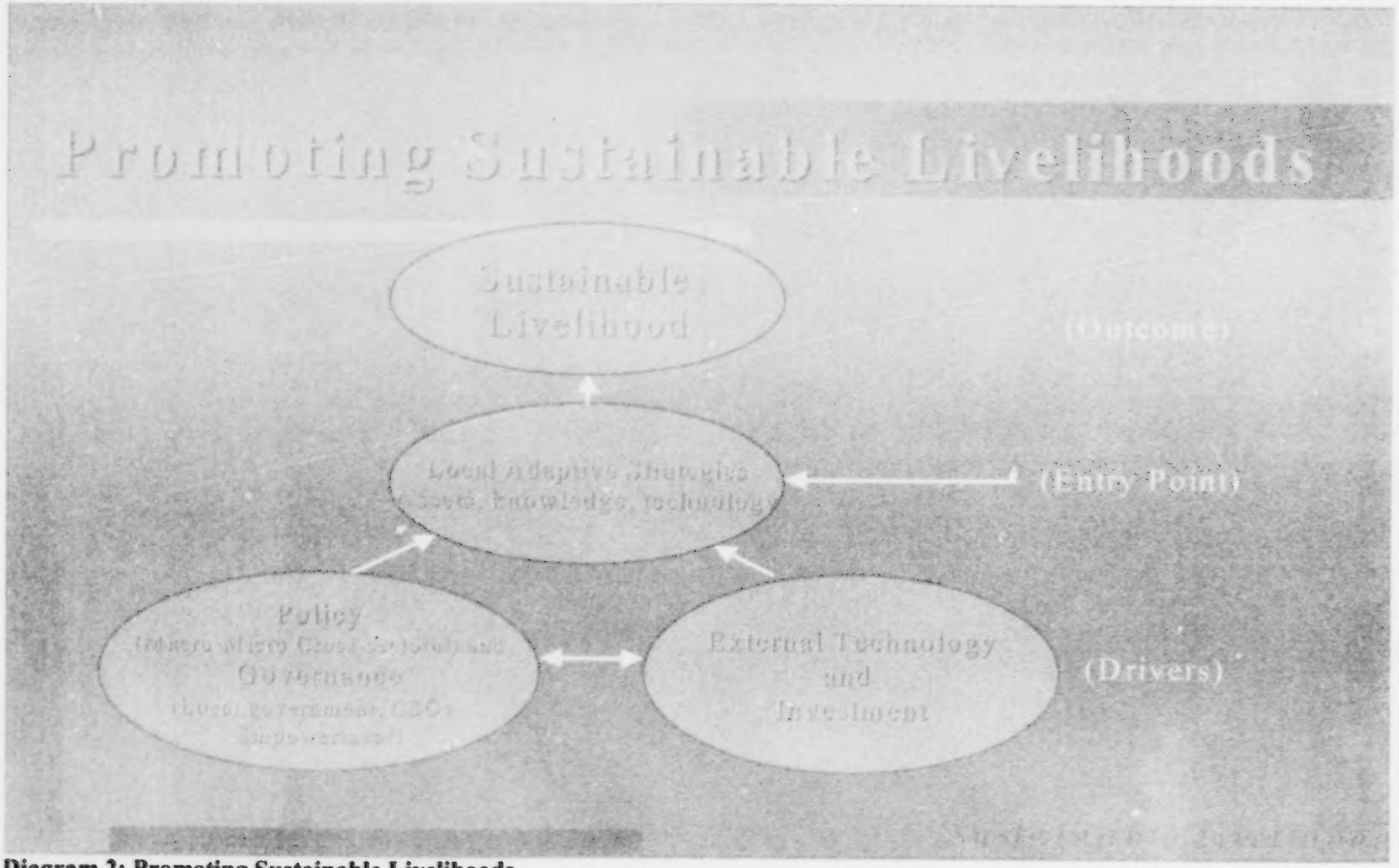


Diagram 2: Promoting Sustainable Livelihoods